Kentucky Economic Development Finance Authority (KEDFA)
Kentucky Rural Economic Development Act (KREDA)

This fact sheet provides an overview of the KREDA program. For a full discussion of the program requirements, please see KRS 154.22-010 through 154.22-102. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KREDA program are negotiated by Cabinet for Economic Development officials.

Eligible Companies
Any business entity that establishes new manufacturing plants or expands existing manufacturing operations in qualifying Kentucky counties is eligible.

Qualified Counties
Kentucky counties are designated KREDA eligible by meeting at least one of the three following criteria: (1) counties with an average annual unemployment rate exceeding the state average annual unemployment rate in the five preceding calendar years; (2) counties with an unemployment rate greater than 200 percent of the statewide unemployment rate for the preceding year; and (3) counties meeting a three part test (three-year unemployment, education attainment and road quality). Once a company is operating under a KREDA agreement, the company maintains its KREDA benefits regardless of the county's KREDA status.

Eligible Projects
All fixed assets of the project are potentially eligible for recovery through the KREDA tax incentives. The project's real estate must be acquired by the approved company through either the acquisition of title or through a capital lease as defined under FASB13. The project must also create a minimum of 15 new jobs for Kentucky residents and the project's total capital investment must exceed $100,000.

Tax Incentives
A KREDA approved company is eligible to receive a 100 percent credit against the Kentucky income tax liability generated by the project and may also utilize the Job Development Assessment Fee (JDAF). The JDAF entails a withholding equal to 4 percent of the gross wages from the employees hired as a result of the KREDA approved project. The employees recoup the JDAF through a state income tax credit equal to the amount of JDAF withheld. As a convenience, the JDAF is offset against normal state income tax withholding for each pay period and the employee receives credit on the W-2 statement as if the JDAF was withheld and remitted to the state. The total KREDA incentives (the tax credit and job development assessment fee) are limited to the amount authorized in an incentive agreement over a maximum term of fifteen years. Any unused incentives remaining after the incentive agreement has expired are not accessible.

Minimum Employee Compensation
Pursuant to KRS 154.22-040, any company participating in the KREDA program is required to compensate at least 90 percent of its employees whose jobs were created as a result of the project with a minimum hourly wage established for the county in which the project locates. In addition, the participating company must provide its new employees with benefits as defined in KRS 154.22-010 equal to 15 percent of the county minimum hourly wage. If employee benefits are less than 15

percent, a company may utilize a combination of wages and employee benefits equivalent to 115 percent of the county minimum hourly wage.

The Process

- The company makes application to KEDFA.
- The total amount of incentive available to a project is negotiated with the Cabinet.
- KEDFA preliminarily approves the company, authorizes its project and enters into a memorandum of agreement with the company that sets forth the maximum incentives available under KREDA.
- The company completes its project and provides KEDFA with documentation in connection with the project's fixed asset costs.
- An Incentive Agreement is approved by KEDFA that authorizes the KREDA incentives for the company.
- The company activates the Incentive Agreement, initiates its 15-year recovery period and begins to utilize the KREDA incentives.

Fees

There is a $500 non-refundable application fee payable upon submission of the KREDA application. Fees which the company may expect to incur as a result of final approval include an administrative fee equal to 1/4 of 1 percent ($40,000 maximum) of the final KREDA amount authorized in the Incentive Agreement. In addition, the company will incur legal fees necessary for the preparation of the Incentive Agreement.

2006/2007 KREDA ELIGIBLE COUNTIES

1. Allen
2. Ballard
3. Bath
4. Bell
5. Boyle
6. Bracken
7. Breathitt
8. Breckinridge
9. Butler
10. Carlisle
11. Carter
12. Casey
13. Christian
14. Clay
15. Clinton
16. Crittenden
17. Cumberland
18. Edmonson
19. Elliott
20. Estill
21. Fleming
22. Floyd
23. Fulton
24. Graves
25. Grayson
26. Green
27. Greenup
28. Hancock
29. Harlan
30. Hickman
31. Jackson
32. Johnson
33. Knott
34. Knox
35. Lawrence
36. Lee
37. Leslie
38. Letcher
39. Lewis
40. Lincoln
41. Logan
42. Lyon
43. Magoffin
44. Marion
45. Marshall
46. Martin
47. Mason
48. McCreary
49. McLean
50. Menifee
51. Monroe
52. Montgomery
53. Morgan
54. Muhlenberg
55. Nicholas
56. Ohio
57. Owen
58. Owsley
59. Perry
60. Pike
61. Powell
62. Robertson
63. Russell
64. Taylor
65. Trimble
66. Wayne
67. Wolfe

Cabinet for Economic Development

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Development Act (KREDA)

DECERTIFIED KREDA COUNTIES
Must have final KREDA approval by June 30, 2007

1. Boyd
2. Harrison
3. Livingston
4. Whitley

For further information contact:

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